

provide down-payment and closing-cost assistance for about 40 households in the County in 1994.

Local Utilization of Federal Home Investment Partnership Act Funds: The Waukesha Housing Authority, the City of Waukesha, and Community Housing Initiative, Inc., have all been sponsors in Waukesha County efforts to secure Federal Home Investment Partnership Act (HOME) funds, administered by the State, in 1993 and 1994. HOME funds were secured by the Housing Authority for the Waukesha County Housing Rehabilitation Assistance Program, administered by Community Housing Initiative, Inc., for rehabilitation of six homes in 1994; HOME funds were used by the City of Waukesha for the City's housing rehabilitation assistance programs for homeowner and rental housing, administered by the City's Department of Planning, for rehabilitation of 11 homes and of about 15 rental housing units in 1994; HOME funds were used by Community Housing Initiative, Inc., in conjunction with other local agencies and funding sources, for rehabilitation of about 50 efficiency rental housing units for homeless and disabled persons in 1993. It should be noted that the housing rehabilitation programs of the Waukesha Housing Authority and the City of Waukesha also receive Community Development Block Grant (CDBG) funds; the number of households served by these programs using all of their funding sources are larger than those stated above, which only considered the use of HOME funds.

State Housing Programs

State housing programs active in Waukesha County are sponsored by the Wisconsin Department of Administration, Division of Housing, and the Wisconsin Housing and Economic Development Authority.

Wisconsin Department of Administration, Division of Housing: The Division of Housing, a unit of the Wisconsin Department of Administration, was created in 1989 to improve housing opportunities for lower-income households. Two important State-funded housing-related programs administered by the Division of Housing include the Housing Cost Reduction Initiative program and the Local Housing Opportunity Grant program.

Housing Cost Reduction Initiative: The Housing Cost Reduction Initiative (HCRI) is a State-funded program enabling local sponsors to compete for grants which can be used to reduce the housing costs of lower-income households. The funds may

be used for a variety of housing activities, including closing-cost and down-payment assistance for home buyers, and rent and security deposit assistance for renters and homeless persons. Sponsors may make housing assistance payments directly to households or to the provider of housing on behalf of eligible households. Eligible applicants include the governing bodies of any county, city, village, or town; housing authorities; nonstock, nonprofit corporations; and cooperatives.

HCRI funds are considered to be one-time grants, not as a continuing funding commitment from the State. The Division notes that applicants should carefully consider how households assisted under the program will be affected after HCRI funds have been expended. Proposals to receive HCRI funds are encouraged to promote and facilitate the movement of persons to more permanent, more appropriate, and more affordable living arrangements. HCRI funds are combined with Federal HOME funds under the Homebuyer component of the State's HOME program, as described later herein.

Local Housing Organization Grant: Through the Local Housing Organization Grant (LHOG) program, the Division of Housing provides State-funded assistance to local nonprofit housing organizations to improve their capacity to provide affordable housing opportunities for lower-income households. The funds can be used for a variety of activities, including housing counseling, grantsmanship, administrative costs, and other expenses related to improving the organization's ability to serve the housing needs of its community, but are not provided to households in the form of assistance. The grants cannot be used to pay for construction and other capital improvements and require a one-to-one match from local sources.

Wisconsin Housing and Economic Development Authority: The Wisconsin Housing and Economic Development Authority (WHEDA) was created by the Wisconsin Legislature in 1972 as a nonstock, nonprofit, "public benefit corporation" to help meet needs for adequate housing for lower-income households. Subsequently, this purpose was expanded to include housing facilities which meet the special needs of the disabled and elderly. The programs are financed through the sale of tax-exempt bonds and receive no State-tax support. WHEDA housing programs include administration within Wisconsin of Federal Low Income Housing Tax Credits, the Multifamily Tax-Exempt Rental Housing Program, the Taxable Bond/Fixed Rate Financing Program,

and the Housing Grants Program. After housing units are built, WHEDA provides no additional subsidies to the occupants or owners of the properties.

Low-Income Housing Tax Credit Program: The Low-Income Housing Tax Credit (LIHC) Program was established at the Federal level under the Tax Reform Act of 1986 as an incentive for the acquisition and rehabilitation, or new construction, of low-income rental housing by providing credit to property owners against their Federal income-tax liability. The tax credits are allocated to states based on population, \$1.25 per person, and are then administered by a state agency. In Wisconsin, WHEDA has been designated as the agency to administer LIHC tax credits. WHEDA evaluates and selects projects to receive the credits on the basis of an annual State-devised allocation plan that establishes criteria, priorities, and geographic preferences, and ensures that property owners comply with the guidelines of the LIHC program. It should be noted that each state must reserve at least 10 percent of its LIHC allocation for use by non-profit organizations.

Eligible sponsors and owners include for-profit and qualified nonprofit entities. Properties eligible to receive LIHC tax credits include apartments, transitional housing for the homeless, single-room-occupancy housing, and group homes. Types of residential rental properties that are not eligible for use of LIHC credits include transient housing, assisted-living facilities, owner-occupied structures with four units or less, nursing homes, retirement homes, mobile home parks, and licensed community-based residential facilities. The LIHC program is aimed at relatively small-scale owners and investors. Property owners with annual incomes exceeding \$250,000 cannot claim the credit.

As a basic requirement of the LIHC program, rental property owners must, at the minimum, either: 1) make at least 20 percent of their housing units available to households with incomes not exceeding 50 percent of the area median family income as adjusted for family size or 2) make at least 40 percent of their housing units available to households with incomes not exceeding 60 percent of the area median family income as adjusted for family size. Property owners must agree, in an agreement prepared by WHEDA, tailored to the specific development, and recorded as a restrictive covenant, to maintain such percentages for 30 years, with all successors to the original owner being bound to the agreement. Gross rents paid by low-income households may not exceed 30 percent of their incomes as adjusted for family size.

The LIHC program provides for an annual income-tax credit of about 9 percent of the qualified project basis¹⁷ for acquisition and rehabilitation or new construction when conventional or taxable bond financing is used. The LIHC program provides for an annual income tax credit of about 4 percent of the qualified project basis for acquisition and rehabilitation or new construction for projects financed by a Federally subsidized loan or through tax-exempt bonds, including WHEDA Multifamily Tax-Exempt Rental Housing and Farmers Home Administration Section 515 projects. Rehabilitation costs must be at least \$3,000 per low-income unit or 10 percent of the qualified project basis, whichever is greater.

A total of about 270 housing units in three projects were completed or under construction in 1994 in Waukesha County which were utilizing the Low-Income Housing Tax Credit Program: about 150 units in the Village of Sussex and about 120 units in the Village of Nashotah. From the beginning of the LIHC program in 1987 through 1994 a cumulative total of about 720 rental housing units in Waukesha County utilize Low-Income Housing Tax Credits.

Multifamily Tax-Exempt Rental Housing Program: The Multifamily Tax-Exempt Rental Housing Program is intended to provide construction and permanent nonrecourse mortgage financing for the development of multifamily rental housing, affordable to low- and moderate-income households, through the sale of Federally tax-exempt mortgage revenue bonds, at interest rates below those available in conventional financial markets. There are no other development subsidies or rent subsidies connected with the program.

¹⁷The qualified project basis is the amount upon which the tax-credit computation is based and includes a portion of building costs, excluding land, some soft costs, and project reserves, depending on the percentage of units to be rented to low-income tenants. Thus, the qualified basis generally amounts to less than the total development costs. For example, if an owner chooses to rent 20 percent of his units to households with incomes not exceeding 50 percent of the area median family income, adjusted for family size, only 20 percent of qualified project costs are utilized in the tax-credit calculation. If an owner chooses to rent 90 percent of their units to households with incomes not exceeding 50 percent of the area median family income, then 90 percent of qualified project costs are utilized in the tax-credit calculation.

Eligible sponsors and borrowers include for-profit or nonprofit entities, housing authorities, or any other entities meeting WHEDA established criteria. Eligible projects may be developed as new construction or involve the acquisition and rehabilitation of existing buildings. Eligible housing project types include townhouses, one- to three-story apartments, high-rise apartment buildings, retirement centers, community-based residential facilities, and other housing types permitted under the Internal Revenue Code.

Projects utilizing Federally tax-exempt financing must comply with Internal Revenue Code limitations on tenant incomes and rent levels for a minimum of 15 years. At least 20 percent of the units must be occupied, or available for occupancy, by families whose incomes do not exceed 50 percent of the area median family income as adjusted for family size or at least 40 percent of the units must be occupied or available for occupancy by families whose incomes do not exceed 60 percent of the area median family income as adjusted for family size.

A total of about 245 housing units in five projects in Waukesha County were completed or under construction, under the Multifamily Tax-Exempt Rental Housing Program, in 1994: about 140 units in the City of Waukesha, about 65 units in the Village of Hartland, and about 40 units in the City of New Berlin.

Taxable-Bond / Fixed-Rate Financing Program: The Taxable-Bond/Fixed-Rate Financing Program provides 30-year, fixed-rate nonrecourse mortgage financing, not construction financing, for projects, including those using Federal Low-Income Housing Tax Credits, through the sale of taxable bonds, at terms generally not available in conventional financial markets. The intent of the program is to provide rental housing units that are affordable to low- and moderate-income households. WHEDA provides no other development or rent subsidies, aside from LIHC credits, to the developers. Eligible sponsors, borrowers, projects, and housing types are the same as those for the Multi-family Tax-Exempt Rental Housing Program.

The loan is governed by an agreement that requires 85 percent of all project units must be set aside for at least 15 years for renter households with annual incomes not greater than 60 percent of the area median family income. After the initial 15-year period, at least 20 percent of project units are

required to be reserved for households with annual incomes not greater than 50 percent of the area median family income or at least 40 percent of project units are required to be reserved for households with annual incomes not greater than 60 percent of the area median family income. If either condition is not met at that time, the mortgage is required to be prepaid.

Use of the Taxable-Bond, Fixed-Rate Financing Program in Waukesha County is very limited because more favorable financing terms can usually be obtained through the Multifamily Tax-Exempt Rental Housing Program or under mortgage revenue bond financing by the Waukesha Housing Authority. As a result, no housing units were under construction in the County in 1994 under the Taxable-Bond/Fixed-Rate Financing Program.

Housing Grants Program: The Housing Grants Program, administered on behalf of WHEDA by the companion WHEDA Foundation, Inc., provides grants for developing and improving housing opportunities for low- and moderate-income households; elderly, handicapped, or disabled persons; and persons in crisis. Eligible sponsors include nonprofit organizations or cooperatives incorporated under Chapter 181 of the Wisconsin Statutes, housing authorities, and units of local government. Projects emphasizing the development of additional housing units or housing improvement generally receive higher priority than housing-related services or information projects. A total of four WHEDA Housing Grants have been awarded to agencies in Waukesha County since 1985, including Community Housing Initiative, Inc., Hebron House of Hospitality, Inc., La Casa de Esperanza, Inc., and The Ranch, Inc.

Wisconsin Home Investment Partnership Act (HOME) Program: The Wisconsin HOME program, administered by the Wisconsin Department of Administration, Division of Housing, provides Federal HOME funds to local sponsors, including local governments, housing authorities, and nonprofit organizations, through several different subprograms developed at the State level. The four subprograms are: 1) the Rental Rehabilitation Program, 2) the Weatherization-Related Home Repair Program, 3) the Accessibility Improvement Program, and 4) the Homeownership Program. Two of these subprograms, Rental Rehabilitation and Homeownership, were used in Waukesha County in 1994. Under the Rental Rehabilitation sub-program,

for existing rental properties serving low-income households, local sponsors provide funds to rental property owners to make improvements to their properties while keeping the housing units affordable for lower-income households. Under the Homeownership subprogram, local sponsors can provide funds to lower-income property owners to make improvements to their recently purchased, within 24 months, property, and local sponsors operating first-time homebuyer programs can provide assistance to low-income households to aid in the purchase of a home.

Federal Housing Programs

Federal housing programs active within Waukesha County are sponsored by the U. S. Department of Housing and Urban Development and by the U. S. Department of Agriculture, Farmers Home Administration.

U. S. Department of Housing and Urban Development: The U. S. Department of Housing and Urban Development (HUD) administers a number of housing and housing-related programs, including the Section 8 Low-Income Rental Assistance Program, the Low Income Public Housing Program, the Community Development Block Grant (CDBG) Program, and the Home Investment Partnership Act (HOME) Program. In order for units and agencies of government to apply for and receive HUD housing grants or public housing funds, they must prepare a Comprehensive Housing Affordability Strategy (CHAS) and submit that strategy to HUD for approval. The CHAS is an action-oriented planning tool used to set forth realistic measures needed to meet identified housing needs within the area concerned. The purpose of the CHAS is to help ensure that communities receiving funding from HUD have planned for the housing and housing-related needs of low- and moderate-income households in a way that improves the availability and affordability of adequate housing in a suitable living environment. The CHAS must also include consideration of persons needing supportive services, identify the manner in which private resources will be incorporated in addressing identified housing needs, and provide for both rental and homeownership options.

Section 8, Low-Income Rental Assistance Program: The Section 8 program was established under the Housing and Community Development Act of 1974 to provide rent subsidies enabling lower-income families to secure adequate housing in the private market. Through the Section 8 program, the U. S.

Department of Housing and Urban Development provides a subsidy equal to the difference between what a lower-income household can afford and the fair-market rent for an adequate housing unit. Housing thus subsidized by HUD must meet certain standards of safety and sanitation and rents for some of the units must fall within the range of fair market rents established annually by HUD.¹⁸

Part of Section 8 rental assistance for Waukesha County is disbursed to individual renters at the local level through the Waukesha Housing Authority. HUD enters into an annual contribution contract with local housing authorities to provide subsidies to lower-income renters in the form of certificates and vouchers.¹⁹ The local housing authority receives the rent subsidy from HUD, and tenants pay 30 percent of their adjusted gross income²⁰ towards the rent of a privately owned apartment or home which the tenant selects. The subsidy amount, disbursed to the tenant by the local housing authority, is the difference between the fair market-rent for each dwelling and the tenant's rent payment based on 30 percent of the tenant's adjusted gross income.

¹⁸*The fair-market rents for the Milwaukee area, of which Waukesha County is a part, have been adjusted upward 17 to 20 percent for Waukesha County to obtain the approved exceptions to fair market rent. The resultant fair-market rents for Waukesha County in 1994 were as follows: no-bedroom unit, \$403; one-bedroom unit, \$527; two-bedroom unit, \$661; three-bedroom unit, \$827; four-bedroom unit, \$924. In 1993, Waukesha County applied for, and was granted, an exception to HUD established fair market rents for the Milwaukee area for purposes of administering the Section 8 program.*

¹⁹*Section 8 assistance is provided to recipients in the form of certificates and vouchers. Certificates must be used for housing units which have a rent and utility cost at or below the existing fair-market rent, while vouchers can be used for any housing unit, irrespective of the rent and utility charges.*

²⁰*Adjusted gross income is defined by the U. S. Department of Housing and Urban Development as the annual gross income minus \$480 for each minor child. Elderly, disabled, and handicapped families qualify for a \$400 deduction and may also qualify for medical-expense deductions.*